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EDITORIAL PREFACE: The Internet, Globalization, and IT Professional Services

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This editorial aims (1) to define IT Professional Services (ITPS) as an increasingly important area of research endeavor, and (2) to consider the impact of the Internet on globalization and the ITPS sector.

IT PROFESSIONAL SERVICES

ITPS are IT-related services offered by an IT Professional Services Firm (ITPS Firm) to ITPS-using client organizations (ITPS Users).¹ ITPS are distinguished herein from IT Services (ITS) supplied by an IT function internal to the IT-using organization. ITPS Firms are distinguished from other Professional Service Firms (PSFs; e.g., Law, Accounting/Audit, General Management Consulting) in that their services predominantly relate to the design, development, selection, implementation, maintenance, operation or management of IT for the ITPS User.

The ITPS sector has taken on a larger (and growing) role in the servicing of IT within organizations as a consequence of the concurrent increasing complexity and standardization of IT. The increasing standardization of technology has meant increasing economies of scale from servicing the technology across a larger client base, thereby reducing the relative cost of external services for any single ITPS User and promoting the growth of the ITPS sector. The advent of inter-organizational systems (e.g., SCM, CRM) has dramatically increased the complexity of IT, as well as spreading control of IT across multiple stakeholder ITPS Users. This increasing standardization of technology, increasing complexity, and diffusion of control have promoted the growth of IT and business process outsourcing and its variants (e.g., facilities management, application service provision) and a more general growth in reliance on externally provided IT services.

Though ITPS does not have “management of the IT function” as a specific research focus, this is important to the extent that: (1) the IT function is dissipating due to the growth of external IT services; (2) new skills are required of the IT function to work with external services; and (3) the IT function is being “externalized” through charge-back and user-pays systems. We noted that once an organization moves to charge-back or user-pays, the relationship of the IT function with the rest of the business changes suddenly and substantively; this “externalizing” of the IT function results in a “transaction”, and thus functions more akin to a marketplace. At the same time, organizations continue to become more reliant on IT, with a growing proportion of organizational change activity involving IT related innovations. The result has been that an increasing proportion of externally provided services with relation to organizational change, such as management consulting, now have some emphasis on IT.²

ITPS always entail some form of relationship between at least two organizations — the ITPS Firm and the ITPS-using Client Organization (ITPS User).³ The central problem of interest is “the effective

¹ Credit to my co-chairs in the ITPS Research Program at Queensland University of Technology, who have been closely involved in defining and refining this research direction: Mr. Greg Timbrell, Dr. Taizan Chan, and Mr. Darshana Sedera. Credit also to Jason Kennelly, whose master’s thesis spans some of these ideas, and to Karen Stark, ITPS Research Officer, for her insights and keeping us honest.

² There is perceived value in exploring commonality between “shared services” and externally supplied professional IT services, as well as identifying meaningful differences. We thus include “shared services” under the banner of IT Professional Services.

³ There will often be more than two organizations involved in the relationship, others being technology providers (e.g., hardware or software vendors) or more specialized ITPS Firms (e.g., IT security specialists).

delivery of IT Professional Services”, with a technology lifecycle-wide view,⁴ from both the service provider (ITPS Firm) and service-recipient (ISPS-User) perspectives. Emphasis firstly is on “how to maximize net benefits” from the relationship, and secondly, on alternative business-models for the equitable incidence of costs and benefits across the ITPS Firm and the ITPS User.

Key research questions include: (1) what to choose and why⁵ (ITPS Sourcing); (2) what is going right and what isn’t (ITPS Delivery); and (3) how to maximize net positive impact (ITPS Impact). A key emphasis across all three themes is on metrics for the improved management of ITPS (how to evaluate issues, impacts, and choices) from both the provider and receiver perspectives.

ITPS Firms are knowledge intensive and innovative users of IT, particularly with regard to knowledge management. A further research vein of interest thus is the broader use of IT by ITPS Firms and by Professional Service Firms (PSFs), with emphasis on IT for knowledge management.

Thus, the ITPS research agenda seeks to maximize net benefits from IT professional services delivery through: (1) metrics for improved management of ITPS (how to evaluate ITPS-related issues, impacts, and choices) from both the service-provider and receiver perspectives; (2) tools and techniques for the delivery of high-quality IT Professional Services; and (3) cooperative knowledge management processes across ITPS providers and ITPS users.

THE INTERNET AND GLOBALIZATION

The 1990s brought many technological innovations promoting globalization. Businesses sought to improve their global competitiveness and productivity with more efficient electronic transaction processing and instant access to information. New information and communication technologies (ICT) as well as radically changing international political and regulatory environments reshaped the nature of management consulting. It was during this period that ICT took center stage for global management consulting firms. The market is now more competitive with consumers having greater choices. It is more open and liberal, and work in foreign countries is more accessible because the domestic laws are not as stringent as they once were, thus assisting in the global nature of the business and allowing new consulting firms to establish a presence in countries that was once restricted (Kubr, 1996).

Like other industries, IT Professional Services have been dramatically impacted by the explosive growth in Internet use and related technologies.⁶ Moving into the 21st century, longstanding trends in ITPS such as centralization and globalization are accelerating, reversing leverage ratios⁷ and introducing completely new capabilities. The Internet is impacting the way that services are bought, sold, and delivered, altering relationships among clients, firms, and employees and speeding the globalization of the consulting industry (Pereira, 2001). For example, sites such as eWORKmarkets (<http://www.eworkmarkets.com/>) allow prospective clients to search a large number of potential

⁴ ITPS have interest in IT project management. Though ITPS Firms increasingly seek longer-term and deeper relationships with their clients, most ITPS yet are delivered through “projects” (we note many consultants today referring to themselves as “project managers” rather than as consultants).

⁵ It is assumed that each party to the relationship benefits from understanding implications of the relationship for others involved (e.g., the ITPS Firm can more effectively satisfy the ITPS User from deep understanding of implications for the ITPS User).

⁶ According to Internet Worlds Stats (<http://www.internetworldstats.com/stats.htm>) as of 1 November 2005, there were approximately 1 billion Internet users (actually 957,753,672)

⁷ Because the Internet encourages the breakdown of geographical boundaries and facilitates collaborative work and communication regardless of distance, clients are able to target specific consulting skills and experience via online databases that allow them to seek out the expertise of senior consultants. This shift in buying power to clients, with clients demanding more senior expert consultants work on their projects, negatively impacts (from the consultant perspective) the possible ratio of junior to senior staff on engagements.

consulting firms, post requests for proposals, or seek recommendations. Although the Internet can assist clients in buying services, it is less suited to the selling process, with many sales being contingent upon the establishment of a personal relationship between client and consultant.

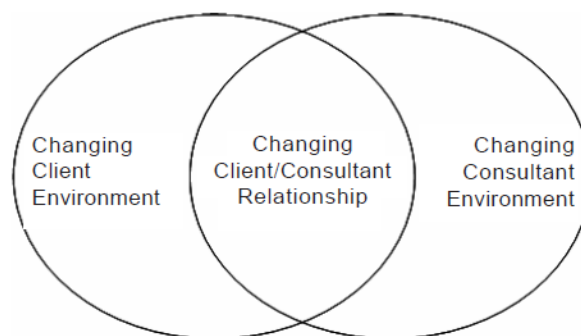
Clients' expectations are rising; they now want faster and better services than were previously possible. The Internet provides the possibility of distributed project teams, pooling of expertise worldwide and communicating electronically, rather than being bound to a single physical location.

The Internet allows consultants to dispense advice and provide expertise online, typically on smaller, less complicated consulting engagements. This "virtual consulting" can now often be provided from lower cost countries, thereby undercutting domestic ITPS firms.

Large consulting firms are using the Internet to add value to their services. Ernst & Young provide an online advisory service for their clients, which includes news, alerts and analysis, a reference library, online diagnostic tools, a secure Web space for online collaboration, and links to other Web resources. Ernst & Young Online (www.eyonline.com) is not designed to act as a replacement for the standard form of engagements, but is a tool to be used by clients who may not need face-to-face meetings to find a solution to a simple problem.

The Internet is influencing firm-client relationships. Clients have better access to information about professional service firms and their successes and failures, enabling more informed choices. Clients also appear to be placing relatively more emphasis on skills of the individual professional delivering the IT services. The Internet makes it easier for clients to seek out the most qualified "individuals", whether they are a sole proprietor or a consultant in a large firm. Rather than rely on the consulting firm as an intermediary, auction-style markets such as www.guru.com are developing in which individuals post their skills and are then bought by companies and consulting firms to complete a specific project.

Figure 1



Stuart Waddington (personal communication, October 21, 2005), a director of Management Effect, a mid-sized, regional management and IT consulting firm, suggests:

Firstly, the globalization of companies themselves is certainly providing relationship extensions and leverage for consulting firms. Secondly, the global interaction of ideas, people and products, largely facilitated by technology and trading bloc agreements, is speeding up

the manner in which those elements interact. That creates a “red queen syndrome” — i.e. we have to run faster just to stand still.

Mark Howard (personal communication, October 22, 2005), Accenture’s Global Program Director, Government Finance & Performance Management, suggests:

Globalization is affecting consulting in several dramatic ways. We now do systems development work from anywhere in the world. We have teams on site with the client who develop requirements and designs, and that information is transmitted to wherever we have developers who then do the work and can even do it directly on the clients’ machines! So, our range of options for where developers work from has been incredibly expanded. Of course, there are management issues and complications associated with that, but the benefits in terms of costs and speed (we can and have had teams basically doing development work on a 24-hour, round-the-world cycle, and passing work off from one part of the world to the other) are tremendous. We can do applications maintenance and even some hardware maintenance; [...] help-desk services for systems development and apps maintenance; and business process outsourcing from anywhere in the world. Basically, our pool of talent for some of the work we do is expanded dramatically and it can be mobilized more easily to wherever our needs are. At the same time, [our staff] can continue to live a reasonable lifestyle and one in more accordance with their preferences.

On the business consulting side, I think we’re seeing more sharing of information and perspectives between consultants, who then bring those shared ideas to their clients. I think as a result, the best ideas developed in governments in one part of the world are a bit more readily transmitted and shared with governments in other parts of the world. We’re no-where as far along in this evolution as our private-sector counterparts, and we probably won’t be since the nature of public sector is pretty different in each country, but there’s no question in my mind that governments around the world (at least OUR clients) are paying more attention and learning more about what’s going on outside their country than they used to, and it’s leading to more common approaches and use of creative ideas no matter where they come from.

Modern communication technologies transcend geographical boundaries, providing opportunities for consulting firms to establish dispersed teams of consultants across the globe, thus influencing the structure of the industry. Technology is encouraging a trend toward centralization of an industry, which traditionally consisted of decentralized firms (Pereira, 2001). As businesses become global, they seek to deal with a consulting firm that has a global focus (Price, 2002; Roberts, 2004). Many client organizations wanting to expand globally will only engage larger global consulting firms. This is based on the belief that global consulting firms are at the leading edge of their industry and that local firms, without a global presence, are incapable of understanding the issues associated with global expansion (Poulfelt, Bhambri, & Greiner, 2005; Roberts, 2004). Poulfelt et al. (2005) and Roberts (2004) argue that in order for consulting firms to prosper in the future, they will need to position themselves to deal with the globalization of industries and companies. Large firms will need to establish themselves in many cities across the globe, while smaller firms will need to form networks and alliances to assist clients to address globalization issues.

The broad industry problem implied earlier is that *globalization and the Internet are dramatically impacting the nature and delivery of IT Professional Services*. Both clients and consultants need to react. Sample related research questions include:

- Are ITPS labor costs less, given potential for channeling development work worldwide?
- Are ITPS economies of scale increased from a larger worldwide client base?
- Is information and knowledge sharing between ITPS consultants increased, thereby yielding new perspectives and solutions?
- Does the globalization of ITPS compromise responsiveness on a local level?

- Has the market become more competitive with clients having greater ITPS choice?
- How is globalization of client companies influencing relations with ITPS firms?
- What are the key management issues associated with coordinating virtual ITPS teams?
- Does growth and globalization require ITPS Firms to harness the vast and dispersed experience of the professional service firm into formal KM systems?

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